EXHIBIT 1

Respondent Eileen G. McDonald was a member of the Newark Unified School District Board of Trustees from 1992 to 2003. Respondent is currently a member of the Alameda County Board of Education. In her private capacity, Respondent solely owns a travel agency called "The Travel Store."

As a school board trustee for the Newark Unified School District, Respondent was a public official and therefore prohibited by Government Code section 87100 of the Political Reform Act (the "Act")[1] from making, participating in making, or attempting to use her official position to influence any governmental decision in which she had a financial interest. In addition, Respondent had a duty to disclose all of her reportable economic interests on annual statements of economic interests.

In this matter, Respondent made 15 governmental decisions that had a reasonably foreseeable material financial effect on The Travel Store. In addition, Respondent failed to disclose her economic interest in The Travel Store on her 2001 and 2002 annual statements of economic interests.

For the purposes of this Stipulation, Respondent's violations of the Act are stated as follows:

COUNT 1: On or about October 17, 2000, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $472 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 2: On or about November 7, 2000, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $2,354 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 3: On or about December 5, 2000, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $1,342 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

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[1] The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

COUNT 4: On or about January 23, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $6,957 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 5: On or about February 6, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $2,412 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 6: On or about April 3, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $3,797 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 7: On or about August 28, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $1,527 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 8: On or about October 23, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $1,603 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 9: On or about December 11, 2001, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $312 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 10: On or about January 7, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $1,128 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 11: On or about February 5, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $636 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 12: On or about February 19, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $275 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 13: As a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald failed to disclose The Travel Store as an investment interest and a source of income on her 2001 annual statement of economic interests, filed on or about July 24, 2002, in violation of section 87300.

COUNT 14: On or about August 20, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $3,468 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 15: On or about September 3, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $1,361 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 16: On or about November 19, 2002, as a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald made a governmental decision in which she had a financial interest, by voting to approve the expenditure of public funds in the amount of $837 to The Travel Store, a travel agency solely owned by Respondent, in violation of section 87100.

COUNT 17: As a member of the board of trustees for the Newark Unified School District, Respondent Eileen G. McDonald failed to disclose The Travel Store as an investment interest and source of income on her 2002 annual statement of economic interests, filed on or about February 24, 2003, in violation of section 87300.

SUMMARY OF THE LAW

A finding upon which the Act is based, as stated in section 81001, subdivision (b), is that a public official, whether elected or appointed, should perform his or her duties in an impartial manner, free from bias caused by the official's own financial interests, or the financial interests of persons who have supported the official.

To prevent conflicts of interest in governmental decision making, section 87100 prohibits a public official from making, participating in making, or in any way attempting to use his or her official position to influence a governmental decision in which the official knows, or has reason to know, that he or she has a financial interest. Under section 87103, a public official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect on an economic interest of the official. For purposes of sections 87100 and 87103, there are six analytical steps to consider when determining whether an individual has a conflict of interest in a governmental decision.[2]

First, the individual must be a public official as defined by the Act. Section 82048 defines "public official" to include a member of a local governmental agency.

Second, the official must make, participate in making, or attempt to use his or her official position to influence a governmental decision. Under regulation 18702.1, subdivision (a), a public official "makes a governmental decision" when the official votes on a matter, obligates his or her agency to any course of action, or enters into any contractual agreement on behalf of his or her agency.

Third, the official must have an economic interest that may be financially affected by the governmental decision. Under section 87103, subdivision (a), an economic interest of a public official includes any investment in a business entity worth $2,000 or more that is held at the time the governmental decision is made. Under section 87103, subdivision (c), an economic interest of a public official includes any source of income of $500 or more that is received by the official within 12 months before the decision.

Fourth, it must be determined if the economic interest of the official is directly or indirectly involved in the decision. Under regulation 18704.1, subdivision (a), a business entity or a source of income is directly involved in a governmental decision when that entity or source of income initiates the proceeding in which the decision will be made; or is a named party in, or the subject of the, proceeding concerning the decision.

Fifth, it must be determined which materiality standard applies to the economic interest of the public official. Under regulation 18705.1, subdivision (b), if a business entity is directly involved in a governmental decision, the reasonably foreseeable financial effect of the decision on the business entity is presumed to be material. Under regulation 18705.3, subdivision (a), if a source of income is directly involved in a governmental decision, any reasonably foreseeable financial effect of the decision on the source of income is presumed to be material.

Sixth, it must have been reasonably foreseeable, at the time the governmental decision was made, that the decision would have a material financial effect on the economic interest of the official. Under regulation 18706, subdivision (a), a material financial effect on an economic

[2] As set forth in regulations 18700 through 18708, the Commission has established an eight-step analysis for determining whether a public official has a conflict of interest in a governmental decision. The last two steps of the analysis are exceptions that allow a public official to participate in a governmental decision even though the official may have a conflict of interest. The two exceptions are not relevant to this matter.

interest is reasonably foreseeable if it is substantially likely that one or more the materiality standards applicable to that economic interest will be met as a result of the governmental decision. (*In re Thorner* (1975) 1 FPPC Ops. 198.)

SUMMARY OF THE EVIDENCE

COUNTS 1-12 and 14-16

Making a Governmental Decision in Which the Official Has a Financial Interest

Respondent Eileen G. McDonald was a member of the Newark Unified School District Board of Trustees (the "school board") for 11 years from 1992 to 2003. Respondent is currently a member of the Alameda County Board of Education. In her private capacity, Respondent owns and operates a travel agency called "The Travel Store."

As a school board trustee, Respondent was prohibited from making, participating in making, or in any way attempting to use her official position to influence any governmental decision in which she knew or had reason to know that she had a financial interest. In this matter, Respondent made 15 governmental decisions that had a reasonably foreseeable material financial effect on The Travel Store.

Making a Governmental Decision

The school board holds regularly scheduled public meetings to conduct its business. Typically, the agenda for a school board meeting will include a consent calendar for routine matters that require school board approval, but do not require discussion by members of the school board or the public. During the period October 17, 2000 through November 19, 2002, at 15 separate public meetings, the school board considered whether to approve 15 separate resolutions authorizing the payment of public funds to The Travel Store, for travel expenses incurred by employees of the school district. Each of the 15 resolutions appeared on the consent calendar of the 15 separate public meetings. As a member of the school board, Respondent voted in favor of approving all of the items appearing on all of the consent calendars, including each of the 15 resolutions authorizing the payment of public funds to The Travel Store.

Prior to these votes, the District Superintendent had asked Respondent to assist the District with its school-related travel needs. At Respondent's request, the "District" obtained a written opinion from its outside counsel which concluded that use of a board member's travel agency to arrange travel for district students and employees did not pose a conflict of interest under the Act, but advised that Respondent should "abstain from any votes regarding the payment of warrants." Respondent never saw this opinion, but the substance of it was ostensibly imparted to her by the District Superintendent; however, in imparting the conclusions of the written legal opinion to Respondent, the District Superintendent did not apprise Respondent that she should not vote on the warrants.

The following table reflects by count the following information: (1) the date of each school board meeting at which a resolution authorizing the payment of public funds to The Travel Store appeared on the consent calendar of the meeting; and (2) the amount of public funds that the school board ultimately authorized to be paid to The Travel Store by virtue of approving the 15 separate consent calendars:

Count	**Date of School Board Meeting**	**Amount Paid to The Travel Store**
1	Oct. 17, 2000	472
2	Nov. 7, 2000	2,354
3	Dec. 5, 2000	1,342
4	Jan. 23, 2001	6,957
5	Feb. 6, 2001	2,412
6	Apr. 3, 2001	3,797
7	Aug. 28, 2001	1,527
8	Oct. 23, 2001	1,603
9	Dec. 11, 2001	312
10	Jan. 7, 2002	1,128
11	Feb. 5, 2002	636
12	Feb. 19, 2002	275
14	Aug. 20, 2002	3,468
15	Sept. 3, 2002	1,361
16	Nov. 19, 2002	837
		$28,481

By voting to approve 15 separate consent calendars, Respondent made 15 governmental decisions, as defined in regulation 18702.1, subdivision (a).

Economic Interest

Respondent is the owner of The Travel Store. As the owner, Respondent had, at all relevant times, an economic interest in the travel agency as an investment interest of $2,000 or more, as described in section 87103, subdivision (a), and as a source of income of $500 or more, as described in section 87103, subdivision (c).

Direct Involvement

The Travel Store was a named party in each of the 15 consent calendar decisions referenced above. Under regulation 18704.1, subdivision (a), as a named party in those decisions, The Travel Store was directly involved in those decisions.

Applicable Materiality Standard

As The Travel Store was a named party in each of the 15 consent calendar decisions referenced above, the applicable materiality standards for determining whether each of the decisions had a requisite financial effect on the travel agency is the direct involvement materiality standards of regulation 18705.1, subdivision (b) for a business entity, and regulation 18705.3, subdivision (a) for a source of income. Under regulation 18705.1, subdivision (b), if a business entity is directly involved in a governmental decision, any reasonably foreseeable financial effect of the decision on the business entity is presumed to be material and may therefore constitute the basis for a conflict of interest. In the same vein, under regulation 18705.3, subdivision (a), if a source of income is directly involved in a governmental decision, any reasonably foreseeable financial effect of the decision on the source of income is presumed to be material and may therefore constitute the basis for a conflict of interest.

Reasonably Foreseeable Material Financial Effect

By voting to approve the 15 consent calendars, the school board approved 15 separate resolutions authorizing the payment of public funds to The Travel Store, for travel expenses incurred by school district employees. Without such authorization by the school board, The Travel Store would not have received payment for services provided. Thus, it was reasonably foreseeable that each of the 15 decisions had at least a one-penny financial effect on The Travel Store. As such, Respondent was prohibited from making those decisions.

By making 15 governmental decisions in which she had a financial interest, Respondent committed 15 violations of section 87100.

COUNTS 13 and 17

Failure to Disclose Economic Interest on Statement of Economic Interests

As a member of the school board, Respondent had a duty to disclose all of her reportable economic interests on annual statements of economic interests. However, Respondent did not disclose The Travel Store as an investment interest of $2,000 or more, or as a source of income of $500 or more, on her 2001 annual statement of economic interests that was filed on or about July 24, 2002. In addition, Respondent did not disclose The Travel Store as an investment interest of $2,000 or more, or as a source of income of $500 or more, on her 2002 annual statement of economic interests that was filed on or about February 24, 2003.

By failing to disclose her economic interest in The Travel Store on two separate statements of economic interests, Respondent committed two violations of section 87300.

CONCLUSION

This matter consists of 17 counts of violating of the Act, and carries a maximum administrative penalty of $2,000 per violation for Counts 1 through 3, and $5,000 per violation for Counts 4 through 17, for a total administrative penalty of $76,000.

A conflict of interest violation is one of the more serious violations of the Act as it creates the appearance that a governmental decision was made on the basis of an official's financial interest. The typical penalty for a conflict of interest violation has ranged from $1,500 to $2,000 for violations occurring prior to January 1, 2001, and $2,500 to $5,000 for violations occurring after January 1, 2001, depending upon the facts of the case. In this matter, Respondent directly participated in each of the 15 decisions made by the school board to pay the travel expenses incurred by school district employees at The Travel Store. However, Respondent did so only after she was misinformed by the District, based on a written opinion from private counsel, that no violation of the Political Reform Act would result from Respondent's participation in such votes. Each initial decision to employ the services of The Travel Store was not made by Respondent, but by individual school district employees, who later passed along the expenses they incurred to the school district for payment to The Travel Store. Additionally, all of the proposed payments to The Travel Store appeared as consent calendar items along with other bills to be paid by the school district. Given these somewhat unusual circumstances, imposition of a penalty that is less than historical range(s) is appropriate. Therefore, a penalty of $1,000 is appropriate for each of Counts 1 through 3; and a penalty of $1,750 is appropriate for each of Counts 4 through 12 and 14 through 16.

Regarding the two disclosure violations, the failure of an official to disclose an economic interest is a serious violation of the Act, as it denies the public of any information regarding the official's financial dealings. In this matter, Respondent was a vendor to the school district and yet she failed to disclose her business on annual statements of economic interests during the time periods that many of the above conflict of interest violations involving the business took place. In mitigation, Respondent reported The Travel Store on her statement of economic interest in the years prior to and following 2001 and 2002, and in those years Respondent mistakenly believed she did not meet the monetary threshold for disclosure. Additionally, the District and the School Board were aware of Respondent's ties to The Travel Store and the latter's use by district employees for official travel needs. Under these circumstances, imposition of a moderate penalty is appropriate. Therefore, imposition of a penalty of $2,500 is appropriate for Counts 13 and 17.

Respondent has cooperated fully and promptly with the investigation.

Accordingly, the facts of this case, including the aggravating and mitigating factors discussed above, justify the imposition of a total administrative penalty of $29,000.